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BEFORE THE ARIZONA CORPORATION

IN THE MATTER OF THE APPLICATION
OF KINGS RANCH UNIT II TREATMENT
PLANT FOR AN INCREASE IN ITS
WASTEWATER RATES FOR CUSTOMERS
WITHIN YAVAPAI COUNTY, ARIZONA

DOCKET NO.
SW-02573A-05-0843

PUBLIC COMMENTS

At: Black Canyon City, Arizona

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1 BE IT REMEMBERED that the above-entitled and
2 numbered matter came on regularly to be heard before the
3 Arizona Corporation Commission, Utilities Division, at
4 Albins Civic Center, 19055 East K-Mine Road, Black Canyon
5 City, Arizona, commencing at 6:30 p.m. on the 26th of
6 January, 2006.

7
8
9 BEFORE:

10
11 For the Arizona Corporation Commission:

12 Mr. Alfonso Amezcua
13 Utilities Division
14 Public Utilities Consumer Analyst I
15 1200 West Washington
16 Phoenix, Arizona 85007

17 Mr. Marlin Scott
18 Utilities Division
19 Utilities Engineer, Water/Wastewater
20 1200 West Washington
21 Phoenix, Arizona 85007

22 Mr. Darron Carlton
23 Finance & Regulatory Analysis
24 Public Utilities Analyst Manager
25 1200 West Washington
Phoenix, Arizona 85007

ALSO PRESENT: Ms. Connie Walczak

1 MR. AMEZCUA: Good evening. Good evening,
2 ladies and gentlemen. I wanted to thank you for coming
3 out tonight to attend a Public Comment Meeting regarding
4 the proposed rate increase for Kings Ranch Unit II
5 Treatment Plant.

6 The purpose of this meeting is to receive
7 public comments on the pending rate application for Kings
8 Ranch. I would like to welcome you and encourage you to
9 present your comments.

10 As you can see, we have a court reporter that
11 will be taking your comments and transcribing --
12 transcribing them, so they will be come part of the rate
13 case.

14 As to that, the Commissioners will hear from
15 everyone that cares to make a comment tonight. This is
16 your time to let -- to let them know your feelings about
17 the pending application.

18 For the record, my name is Al Amezcua. I
19 will be conducting the Public Comment Meeting this
20 evening.

21 I work in the Utilities Division as a
22 Consumer Analyst. I've been assigned to the rate
23 application, and I am part of the Commission Staff. I
24 will be introducing the rest of the team in a few minutes.

25 I would like to give a brief description of

1 the part that I and my department, Consumer Services, play
2 in the current proceedings.

3 Once customers have been notified about a
4 rate increase, I receive and respond to customer calls,
5 issuing an opinion. And I would say, half of you guys
6 have submitted either in writing or a phone call. Those
7 become part of the record.

8 I wanted to thank all of you guys for coming
9 tonight to attend. I also investigate, for a minimum of
10 three years, all the calls that the Commission has
11 received from the customers of the company.

12 After a complete investigation, I issue a
13 memo of my findings to the Team Leader -- in this case,
14 Darron Carlson that's at the end.

15 Also representing the Commission Utilities
16 Staff are Darron Carlson, the Team Leader in Financing,
17 Rates & Accounting; and Mr. Marlin Scott, Engineering,
18 from the Engineering Department.

19 As I mentioned earlier, the court reporter
20 will record what is said during the meeting, and is
21 responsible for preparing a transcript for the official
22 record.

23 This transcript will be placed in the docket
24 file for the Commissioners to review.

25 I will now open the meeting for consumers to

1 place -- actually, I'm sorry. I'll turn it over to the
2 Staff, so they can basically introduce themselves and
3 inform the public of exactly what their role with the
4 Commission is.

5 Marlin Scott?

6 MR. SCOTT: Again, my name is Marlin Scott.
7 I'm a Staff Engineer with the Commission.

8 And every rate case that comes through the
9 Commission, a Staff Engineer is assigned, as well as the
10 Accounting Section and Consumer Service.

11 And the duties of the Engineering Section is
12 when we evaluate the rate application, we check with other
13 State agencies for compliance issues, like with DEQ, or
14 the Department of Water Resources, if you're a water
15 company.

16 And in this case, it was just a sewer
17 company. So we checked with DEQ for their compliance
18 status with -- within Yavapai County.

19 And after we do our filings, our gatherings,
20 then we come out and inspect the sewer system and see how
21 it's operating. And after we do our field inspection, we
22 produce an engineering report for our Accounting Section.

23 My report and Al's report is combined to
24 become a Staff report for -- for the complete Staff here.
25 And that is the process that we go through for Engineering

1 for my duties in this case.

2 And I'll turn it over to Darron.

3 MR. CARLSON: I'm Mr. Darron Carlson. I'm
4 with the Finance & Regulatory Analysis Section of the
5 Commission.

6 Every rate case that gets processed, as
7 Marlin mentioned, we all -- our three groups get assigned
8 to.

9 And the Accounting Section will lead the
10 Staff report because we correlate the information from
11 both sections and include that in the accounting analysis
12 and the rates analysis. And we produce a Staff report.

13 Every review that we do involves an audit of
14 the operations; specifically, the test year that's been
15 selected by the company for the application.

16 When that's done, we analyze all expenses and
17 all of the revenues to analyze the appropriateness of the
18 expenses, the level of the expenses, and the revenues, and
19 any rate design issues we might have.

20 And that's what we're in the process of now.
21 And the Staff report is due to be filed mid February. And
22 so this is probably the last part that any of us will do,
23 to include this information in our reports, and then
24 compile all the information we have and submit it.

25 And like I say, the Staff report will be

1 docketed February 14th. It will give the Staff's opinion
2 of the application.

3 And then that goes on to a Hearing Officer in
4 the Hearing Division, who will review it, and either
5 decide to have a hearing, or conversely, may decide not to
6 have a hearing, based on the information that's supplied
7 through the Staff reports.

8 And at that point, if there's a hearing,
9 there will be a procedure order to select a hearing date.
10 And a hearing will be held, and testimony will be taken.

11 Sometimes in the smaller cases such as this,
12 a hearing isn't held, and the -- the ALJ, the judge in the
13 case, will write up a recommended opinion and order for
14 the Commission without a hearing.

15 And that's not up to Staff to determine.
16 That's the Hearing Department's division -- decision.

17 A decision in this case is probably due
18 around April. In April sometime, the Commission will
19 likely have a recommended opinion in order, and would make
20 a decision at that time.

21 And I guess back to you, Al.

22 MR. AMEZCUA: Thank you. I will now open the
23 meeting for consumer comments.

24 For the record, this meeting is not a
25 question-and-answer session. It is to receive your

1 comments.

2 If there are any consumers present who wish
3 to speak with the Commission after the close of the
4 meeting, we will attempt to accommodate your questions
5 with the information that is available.

6 Since this is a pending case, we are unable
7 to speak directly about -- about it. If you will please
8 stand, state your name and address clearly so the court
9 reporter can enter that for the record, I would appreciate
10 it very much.

11 I will ask for your cooperation in allowing
12 only one person to speak at a time, so we receive clear
13 and concise comments for the record.

14 I have asked anyone who wishes to speak to
15 fill out the speaker sheet. Most of you did.

16 If there's any speaker sheets out there, if
17 you can just put them up in the air, and Connie Walczak
18 will walk around and pick those up for me.

19 If you decide later that you want to make a
20 comment, we can get you a speaker sheet, so you can let us
21 know also. And we'll just go in order as the -- as we
22 have collected the sheets.

23 Lori Filano (Phonetic).

24 MS. FOLENO: Foleno.

25 MR. AMEZCUA: Foleno.

1 MS. FOLENO: I just filled out the comment
2 card in case I wanted to make comments throughout the
3 meeting. At this time, I'm going to hold off.

4 MR. AMEZCUA: Okay. Thank you.

5 Mr. Ken Faucher.

6 MR. FAUCHER: Faucher. Right here. I've
7 been in Kings Ranch -- probably one of the first people in
8 there. Probably the fourth person --

9 MR. AMEZCUA: Sir?

10 MR. FAUCHER: -- fifth house.

11 MR. AMEZCUA: I'm sorry. Can you please say
12 your name --

13 MR. FAUCHER: Ken Faucher.

14 MR. AMEZCUA: -- and your address for the
15 record?

16 MR. FAUCHER: 35315 South Pinnacle Place,
17 Black Canyon.

18 All right. Like I said, I was one of the
19 first homes in there. When I say one of the first, I was
20 probably the fifth or sixth home in there.

21 At the time I moved in, I think we had -- I
22 could be off by five bucks or so because it's been a long
23 time, but we paid I think it was \$35 to tie into the
24 sewer, and \$35 a month. Well, since then, we've had
25 several good increases.

1 I think -- now, I build homes in Kings Ranch
2 also. And the last person who I tied into the sewer --
3 correct me if I'm wrong -- but I think paid \$4,000 to tie
4 into the sewer versus 35, seven, eight years ago.

5 I also talked to Mr. Albins here when they
6 were -- one day when he was working on the plant, and he
7 was telling me -- I asked him, I says, "Is that expensive
8 to run this place?"

9 Now, take in mind at the time, it was
10 probably six, seven, eight houses in there. He says,
11 "Now, it's a little expensive because we're not generating
12 enough water from the people in here."

13 He says, "We have to add water to the
14 system." He says, "The more people that come in here and
15 the more houses that are in here, generates more sewage,
16 which helps this plant run."

17 Right or wrong, I don't know. But this is
18 what he told me.

19 So what I'm trying to say to you -- and also,
20 we were told by Jean Albins in a meeting -- and there's
21 probably four people at this meeting right now who stood
22 there at the meeting, in her office, years ago.

23 And I was -- she assigned me president at the
24 time of the committee. Architectural Committee. Since
25 then, I've resigned and got off it.

1 And she says, "We're getting up in age. And
2 one of these days, we're going to turn this sewer over to
3 you for a dollar."

4 Now, the last I heard -- she hasn't told me
5 this, but I've heard it from different people -- that now,
6 they want a hundred thousand dollars for this.

7 Now, we get a letter through the mail that
8 says they're losing \$15,000 a year. Now, I don't know how
9 you feel. But if I was losing \$15,000 a year in a
10 project, and I could unload it for a dollar, I'd be very
11 happy to do it. Okay?

12 So that's all I have to say.

13 MR. AMEZCUA: Thank you, sir.

14 Dave or Dorothy Moore.

15 MR. MOORE: I'd like to reserve my right to
16 speak at the end.

17 MR. AMEZCUA: Okay.

18 Mr. Jim Gray does not wish to speak. But you
19 can also change your mind later on.

20 MR. GRAY: I had no comment at the time.

21 MR. AMEZCUA: Okay. Would you like to speak
22 or --

23 MR. GRAY: No, not at the time.

24 MR. AMEZCUA: Okay.

25 Johnnie O'Daniel.

1 MR. O'DANIEL: Yes. Okay. My name is John
2 O'Daniel. I live at 18655 East Agua Vista in Kings Ranch,
3 Black Canyon City, 35254.

4 I had a question, but was told that questions
5 are not allowed. Therefore, I'm going to make a comment.

6 In my mind, there's no possibility that the
7 Corporation Commission can make decisions such as this
8 one, or any other one, without having un -- by having
9 unaudited accounts, which is what we were told that there
10 has been in the past, and this year, unaudited accounts,
11 of the operating losses and the increased costs and so
12 forth.

13 Also, I assume -- and I, again, can't ask
14 questions. But the Commission takes into account that
15 there are \$4,000 hook-ups in Kings Ranch, and that during
16 the last 18 to 20 months, there's been six hook-ups, which
17 totals \$24,000.

18 This must be, I'm sure -- and I can't ask a
19 question. But I'm sure it must be in the Commission's
20 books on this. I hope. And it should be in any audit,
21 that they've taken in \$24,000 in the past approximately 20
22 months.

23 I think then that all of this should be taken
24 into consideration when they do determine the rate -- the
25 upcoming rates.

1 And I'd also like to say in response to Ken's
2 statement there, we tied in here eight and a half years
3 ago. And the fee at that time was \$28 a month. Then it
4 went to \$40 a month. Then it went to \$60 a month and then
5 to \$80 a month.

6 And then is this going to be the end or is it
7 going to continue for the next ten years? At that rate,
8 we'll be paying double, which would be \$160 a month.

9 Thank you.

10 MR. AMEZCUA: Thank you.

11 Mr. Sam Terranova.

12 MR. TERRANOVA: Sam Terranova. 35343 River
13 Ridge.

14 I wasn't able to check a whole lot of cities
15 out. But the cities that I did check, most of the sewage
16 fees were -- range in between 20 and \$40.

17 The highest one we found was a little
18 community up near Flagstaff called Munds Park. And it was
19 reported to me that they pay 55 a month, which is fairly
20 steep.

21 We're already at 80, and attempting to go to
22 90 or 95, which seems to me highly irregular, and has to
23 be -- I would assume your Commission has something to do
24 with the standardization and some level of equality and
25 fairness.

1 It can't just be -- it can't also just be
2 rated upon what the cost effectiveness of each business
3 would be, because it would be possible for someone to
4 operate a business that might not be profitable and/or
5 "misoperate" a business, and skew the -- the funds enough
6 to make it look like a higher rate should be charged.

7 If we can take a look at what's available in
8 the state of Arizona for prices -- which I'm sure you guys
9 have everything available -- we should be able to see what
10 fair is.

11 I'm sure nobody here wants to be unfair. I'm
12 sure we would all not mind paying a fair number. Right
13 now, "fair" seems to be 40 or 50 bucks, from what I found
14 out.

15 So if you guys want to look deeper into it, I
16 think we'd all be thankful.

17 MR. AMEZCUA: Thank you.

18 Mr. Mike Robb.

19 MR. ROBB: Mike Robb. 35321 South Pinnacle
20 Place, Black Canyon City.

21 I'm one of the newer residents in the Kings
22 Ranch subdivision. I moved in in October of 2004, so I've
23 been here about 14 months.

24 And there have been five additional houses
25 built since I moved in. So there's an increase of \$480 a

1 month in revenue right there, at \$80 a month, plus \$24,000
2 in hook-up fees that Mr. O'Daniel talked about. So just
3 in the last 14 months, there's a big increase right there.

4 I just want to make sure that those numbers
5 are on the record. It seems to me that with that kind of
6 windfall in the pocket, that a rate reduction would be in
7 order.

8 And I think Sam is right; 50 bucks is about
9 fair.

10 MR. AMEZCUA: Thank you.

11 Jerry Elmore or Barb Haines? Mr. Moore?

12 MR. MOORE: We'll hold our comments.

13 MR. ROBB: Excuse me, sir.

14 MR. AMEZCUA: Yes, sir.

15 MR. ROBB: I'd like to make one more comment
16 in addition to that.

17 MR. AMEZCUA: Can you state your name,
18 please? I'm sorry.

19 MR. ROBB: Mike Robb again. 35321 South
20 Pinnacle Place.

21 As far as I know, there are two new permits
22 pending, or maybe already approved for two more
23 residences.

24 So with this real estate boom in Arizona, the
25 way it's moving along, maybe this 24,000 is going to be a

1 lot more than that. So there's a potential there for a
2 lot more money.

3 MR. AMEZCUA: Thank you.

4 MR. FAUCHER: I had a comment also.

5 MR. AMEZCUA: Your name?

6 MR. FAUCHER: I'm Ken Faucher. 35315 South
7 Pinnacle.

8 I'm talking to some people in February about
9 building on Lot -- what's the one next to the sewer -- Lot
10 6, and they've already owned the land.

11 So that will possibly most likely be another
12 house going in there next year. And that will be, the way
13 it stands now, a \$4,000 fee, plus their 80 that they're
14 paying. Okay?

15 Thank you.

16 MR. AMEZCUA: Thank you.

17 Hans Gelke.

18 MR. GELKE: Yes. Good evening. Hans Gelke.

19 I have also done some research, and I will
20 verify what Mr. Terranova has stated. The costs in the
21 various communities are in no relation of what we have.

22 Now, my concern is where is that going to
23 end? Is this an assurance that \$95 will -- I mean, no one
24 here gets any increases in salaries or whatever in the
25 rate this is going.

1 Now, it is totally unacceptable. I want you
2 to know that.

3 Now, I also have a question. It has not been
4 brought up. What are the expenses? Can you shed some
5 light on that?

6 Thank you very much.

7 MR. AMEZCUA: Thank you.

8 Is there any more speaker sheets out there or
9 anybody wishing to make a comment at this time?

10 MS. ROBERSON: Can I ask a question? No? No
11 question?

12 MS. WALCZAK: You know what? You might be
13 able to ask. You can ask a question. If our team can
14 answer it, they will.

15 But if it's specifically regarding the case,
16 they may not be able to. But you can certainly ask the
17 question.

18 MS. ROBERSON: Well, I was certainly --

19 MR. AMEZCUA: I'm sorry. Can I get you to
20 stand up and state your name?

21 MS. ROBERSON: Pat Roberson. 35372 Pinnacle
22 Place in Black Canyon.

23 And I was under the impression that we were
24 supposed to get a financial statement from the Albins, or
25 someone on the costs. And that has never been disclosed

1 to any of us. We don't know what their costs are.

2 So I don't know. Am I wrong to think that we
3 should know the cost that it's costing them to run that?

4 MR. CARLSON: Darron Carlson. In response to
5 that, when a rate application is filed, it should be made
6 available by the applicant for customers to view, usually
7 at an office or whatever.

8 However, a copy would also be available for
9 anybody's viewing at the Commission itself. But again,
10 because of the distance, the company's required to provide
11 you with a copy of the application, you know, during
12 operating hours, that sort of thing.

13 MS. ROBERSON: Well, she's been approached
14 many times about giving a financial statement, and she
15 will not release one.

16 MR. CARLSON: Well, she's not obligated to
17 give you a financial statement. However, she is obligated
18 to allow you to review the application that was filed.

19 MS. ROBERSON: We have no right to know what
20 it costs them to run the operation?

21 MR. CARLSON: The application covers it
22 pretty well.

23 MR. SCOTT: Marlin Scott. There's also
24 annual reports that the Utilities file with the
25 Commission. And they're available to the public for the

1 public view.

2 MR. GELKE: Excuse me. You have that
3 information also; don't you?

4 MR. SCOTT: Yeah, it's available at the
5 Commission.

6 MR. GELKE: Well, let's discuss this tonight.

7 MR. CARLSON: We can't discuss the current
8 case, unfortunately. The Staff report hasn't been
9 written. And we're not allowed to discuss the details
10 until we've filed -- or we have docketed our report.

11 So we can't reveal the specific details of
12 this particular case at this time.

13 MR. ROBB: Before you make a decision though,
14 everything is audited; correct?

15 MR. CARLSON: We audit everything that we
16 review in the application, yes.

17 MR. AMEZCUA: Yes, sir?

18 MR. FAUCHER: Ken Faucher again, for the
19 third time.

20 Now, John -- I may need his help on this. I
21 don't know what it costs to run that sewer. All right?
22 And I don't live as close to it -- I mean, I'm not in view
23 of it.

24 But I'm coming in and out of there eight or
25 nine years. And we're looking at money right now. We're

1 looking at the 40's, \$50,000, whatever it is with all the
2 new applications and the fees.

3 John, maybe you can help me. I see a guy
4 down there around that sewer plant about two hours a week.
5 Correct me if I'm wrong. I mean, I don't know if this guy
6 gets \$10,000 an hour or what. But he don't spend a lot of
7 time down there.

8 That's all I want to say, you know. Thank
9 you.

10 MR. AMEZCUA: Thank you.

11 Okay. At this time, I'd like to maybe ask
12 again Dave or Dorothy Moore?

13 MR. MOORE: Dave Moore. 35367 South River
14 Ridge Road, Black Canyon City, 85324.

15 We moved in in July of 2005. Dorothy and
16 Dave Moore. And at that time, Ken Faucher warned me that
17 the sewer hook-up fee was a little steep. He said, "You
18 know, it could be approaching \$2,000 or so by the time we
19 get you hooked up." And I went, "Okay." Well, I didn't
20 anticipate that.

21 And so the next time I encountered anything
22 with the sewer hook-up fee was a call from a gentleman
23 with the sewer company. And he said, "You know, I did a
24 drive-by. And I see you're building a house in Black
25 Canyon." I said, "Yeah."

1 And he said, "You're on Lot 14." I said,
2 "Correct." And he said, "Why haven't you sent your \$4,000
3 in?" And I said, "Because my contractor or you have never
4 sent me a bill."

5 And he said, "Well, hang on." He turned me
6 over to another lady within the office. And I said, "Send
7 me a bill." And she said, "Okay."

8 A month later, I got a call from the same
9 gentleman. And he said, "Where's my \$4,000?" And I said,
10 "I've never received a bill." And he said, "We don't send
11 bills."

12 And I said, "If you don't send me a bill, I
13 don't pay the bill." And he said, "Well, then you can't
14 hook up to the sewer system." And I said, "I talked to
15 so-and-so. She was going to send me a bill."

16 So long story short, even though this has
17 nothing to do with the monthly, it's -- I have never done
18 business with anybody that runs any type of utility that
19 refuses to send you a bill.

20 They refused. I never got one. I sent them
21 a \$4,000 check. So I asked the gentleman how did -- what
22 is the monthly fee, which I already knew from Mr. Faucher
23 was \$80.

24 And I said, "How do I pay you? Do I send it
25 to the same address?" "Well, we'll send you a coupon book

1 in January." I said, "This is July."

2 So I guess if you're going to be a utility,
3 my comment would be: You need to act like a utility. You
4 need to be accountable. You need to put your books
5 forward. You need to have them audited.

6 And I'm still unclear if what the
7 Commission's looking at are audited books or not. But I
8 can attest that there's no more than two hours a week,
9 because I look at that treatment plant everyday. And I
10 work out of my home. And he is absolutely not there more
11 than two hours a week, if he's there an hour a week.

12 So other than that, the capitalization costs
13 for that treatment plant are long gone. They are long --
14 if that's not depreciated, I would like to know why. But
15 again, that's none of my business.

16 The point is, it's a very small plant. And
17 it cannot cost this much to operate. Thank you.

18 MR. AMEZCUA: Thank you.

19 MR. ROBB: Mike Robb. 35321 South Pinnacle
20 Place. After listening to the various testimony there,
21 I'd like to amend my statement previously.

22 And I think \$40 a month would be fair.

23 MR. AMEZCUA: Jerry Elmore or Barb Haines?

24 MR. MOORE: We'll pass.

25 MR. AMEZCUA: Okay. Any other comments then?

1 Go ahead, sir.

2 MR. O'DANIEL: My name is John O'Daniel. I
3 live at 18665 East Agua Vista, Kings Ranch, Black Canyon
4 City, 85324.

5 I only have two more quick comments. One is
6 they've asked for a 70 -- 28.73 percent increase of
7 \$7,860. That's why my question or my comment on the audit
8 is: Where are the hook-ups of \$24,000 in this?

9 Two of those hook-ups would more than
10 offset -- if that is actually a real loss, two of those
11 hook-ups would more than offset that loss for the year.

12 Thank you.

13 MR. AMEZCUA: Thank you.

14 MR. CARLSON: Is everybody done?

15 I have a few things I'd like to offer up to
16 you. Again, Darron Carlson.

17 This system is a small system. At build-out,
18 it will be 49 customers. A utility of that size is --
19 it's nearly impossible to make much of a profit on.

20 The sewer plant was built by the Albins
21 because that's what they needed to do to develop that land
22 on those lots at that time, at the time they developed it.
23 And it's something he had to do to develop it. And he
24 went ahead and did it.

25 He's suffered a lot of losses over the years.

1 Currently, that's not the case. And I won't go into the
2 details of the current case versus previous cases. But
3 the increases he got before were because -- was because he
4 was losing money. And again, in the current case, we
5 can't speak to that issue at this point. I can only speak
6 to the prior cases and where we're at today.

7 In the previous case, the issue came up of
8 what's the future for this company? And the future for
9 this company is such that as a sole proprietorship as it
10 is now, it's always going to eek by at high rates and not
11 much profit.

12 The only solution that's been offered up --
13 and we'll offer it up again today -- is for the homeowners
14 in this -- in this area to form a sanitary district. And
15 that is, you -- it's a governmental entity. And you run
16 the sewer utility as such.

17 And you're no longer regulated by the Albins
18 or the Corporation Commission. You're an independent, if
19 you will, quasi-government agency.

20 And you can run the sewer system yourselves,
21 and you can charge the rates you see fit. Obviously, you
22 should cover your costs. There's not a profit motive
23 anymore, if that's a concern.

24 And also in previous rate cases, the Albins
25 have attempted to charge a monthly fee to lot owners who

1 weren't using the system. However, the Commission never
2 allowed that because technically, it's unconstitutional.

3 However, there are sanitary districts in the
4 state that do charge an availability fee to lot owners who
5 -- you know, who aren't currently users. And as a
6 governmental agency, you'd have that option. But as a
7 sole proprietorship, the Commission does not offer that
8 option.

9 These are a couple of things that you ought
10 to consider. In the last rate case, we were told by -- I
11 don't remember the person's name, but he was kind of the
12 spokesman for the area.

13 He said that once you got to 25 users, more
14 than half of the entire lots, you could seriously consider
15 forming a district.

16 At this point, I believe you're at about 30
17 actual users now. And if you -- you know, and I can't say
18 where the current rate case is going. However, I could
19 certainly understand your situation and the kind of rates
20 you're paying.

21 And I think for any relief from that sort of
22 thing, whether there's an increase, decrease or whatever,
23 it's still going to be high. And if you're looking for
24 some kind of permanent answer, I think the answer for you
25 guys is to consider forming a sanitary district.

1 And in doing so, you would have to obtain the
2 system from the Albins because they own the system. And I
3 won't get into the determination of what was said before,
4 what was offered. That's none of our business.

5 But you can deal with that issue. But it
6 doesn't do you much good to take the system until you
7 start to form a district.

8 And I don't know. Did you want to speak to
9 any of that, as to the procedure?

10 MR. AMEZCUA: No.

11 MR. CARLSON: It's a relatively simple
12 process. I'm not familiar with it, but it's been done
13 before.

14 And again, the idea is it changes the system
15 you're under to a governmentally-run system that the board
16 that you elect will control. That's probably the best
17 long-term answer you guys have.

18 And I think you're at the cross roads where
19 you have to decide whether you want to do that or not.
20 And I just want to let you know that.

21 And once this meeting ends, if there are any
22 questions that we can answer, we will certainly be happy
23 to answer it. As Connie said before, we cannot speak to
24 the issues in this particular case.

25 However, we can speak in general terms or on

1 prior cases that we've done for the company.

2 MR. AMEZCUA: Thank you.

3 MS. WONG: I have a comment. My name's J.J.
4 Wong. I'm at 35387 South Pinnacle Place.

5 The gentleman over here, you were talking
6 about that is it illegal for the Albins to obtain any
7 financial -- or monthly statements if the home is not
8 occupied. We sold to someone else.

9 What happened with me is we ended up
10 obtaining a home where we're currently at right now. And
11 we did not occupy the home until July. And we ended up
12 getting the home in May.

13 And during the month of June, we weren't --
14 my husband and I were not in the home. We had not
15 occupied the home for a whole month. And the Albins
16 called us up and said that we needed to send them 80 bucks
17 for sewage.

18 I said, "Well, but we didn't occupy the home
19 until July. And you're telling me I have to pay for this
20 when no one was in the home?" And they said, "Well,
21 someone has to pay for it. And I know the Michaels aren't
22 going to, so you're going to have to."

23 And so I -- because I didn't know that this
24 was illegal, my husband and I went ahead and sent the \$80
25 in anyway. And I -- and if that was something illegal,

1 then that's something that needs to be -- then I'm
2 assuming that I need to bring up charges to the Albins.

3 MR. CARLSON: You need to file a complaint
4 with the Corporation Commission's Consumer Services
5 Section.

6 You need to contact them either by -- or
7 maybe after the meeting, you can speak to one of them,
8 Connie or Al, or you can file a formal complaint via
9 telephone or however.

10 MS. WONG: And it looks like from hearing
11 comments in the audience, I'm not the only one that has
12 happened to.

13 MR. AMEZCUA: Okay. Thank you. Yes, sir.

14 MR. GELKE: Hans Gelke again.

15 It seems to me this is a catch-22 here.
16 Rates are going up. The thing isn't for sale. So what
17 are we going to do? Sit still?

18 And I assure you, I, for one, will not and
19 cannot. I want to have information as to costs and why,
20 especially once we know that already research has been
21 done, what, in other areas, the cost is. It is not right.

22 And as I said, this is a catch-22. So
23 what -- what do you think we ought to do?

24 MR. CARLSON: Well, just understand that
25 privately-owned utilities in this state, besides their

1 costs, are guaranteed a rate of return.

2 Now, we don't -- in this particular case, I
3 can't speak to the current case. But in all our prior
4 cases, they had a negative rate of return. Okay? So we
5 couldn't give them rates high enough for them to earn a
6 profit in prior cases. I cannot speak to this one.

7 I have a survey of every sewer company in the
8 state. And the prices range from four dollars to \$80.
9 You guys are the high ones.

10 But the difference being a municipality or a
11 district or an investor-owned utility, such as Kings Ranch
12 is, is that Kings Ranch is supposed to be making the
13 profit. And they haven't been.

14 I can't again speak to the current. But all
15 their prior cases, after the rate increase, they were
16 going to continue to lose money. Because their rates were
17 so high, we allowed that to happen. However, it really
18 wasn't fair to the owners of the company.

19 And again, that's not speaking to the current
20 case. But the point is that a utility this small, it's
21 always difficult for them to break even because there
22 isn't any savings in dealing with 50 customers.

23 And so when you talk about the money that's
24 coming in and the large -- the large fees that they're
25 getting, the hook-up fee, we automatically calculate all

1 that information in, okay, when we do a rate case.

2 So we don't ignore thousands of dollars just
3 because they get it one time. All of that -- all of those
4 factors are considered.

5 MR. GELKE: Well, we understand all that. It
6 seems to me now we're at your mercy, and hope that you
7 will fairly look into that, and let us know.

8 It is just kind of strange that we're all
9 here together, and there are no facts available. Nothing
10 from here. And it would be nice if you could now go into
11 details of costs and expenses, like any business people.

12 David pointed out that very eloquently. And
13 we're standing here, and it goes like "duh". They're
14 losing money. I don't -- this doesn't work that way.
15 I've been in business for -- I'm retired, but, you know --

16 MR. CARLSON: Sir, you should understand that
17 this meeting was called by an Administrative Law Judge.
18 Okay? And my obligation is to the Administrative Law
19 Judge.

20 And one of the things that we have is
21 ex-parte rules, which means we can't discuss the details
22 of a case with anyone except within the Staff, ourselves,
23 that are working on the case.

24 We can't discuss the details with anybody
25 else. We can't speak to the details to the ALJ for that

1 matter, let alone outsiders.

2 And the point is to give a fair hearing to
3 the application. All that's done. There is a point where
4 all this information is available. Once we docket the
5 Staff report, which I mentioned will be in the middle of
6 February, that's a public document. And anybody can see
7 it.

8 The application is a public document.

9 MR. GELKE: Good.

10 MR. CARLSON: And anybody can see it. It
11 takes a little work to get at it maybe because you've got
12 to call somebody and get some paperwork done. But it is
13 available. It's available for you to read.

14 And we aren't even available to ask after the
15 fact. You can call me. I hate to say that. I left my
16 cards over there. You can call me.

17 MR. GELKE: I'm sure we will. Thank you.

18 MR. AMEZCUA: Yes, sir.

19 MR. O'DANIEL: John O'Daniel. 18665 East
20 Agua Vista, Black Canyon City.

21 I just have one statement, and the fact that
22 I don't think anyone of us in here wants the Albins to
23 lose a lot of money on this.

24 They want us -- we would like to see them
25 bill us in a fair way as to the charge -- or the costs so

1 that we can go on with our investments, too. And we did
2 invest a lot of money in this community. 50 -- about 49
3 sites at probably an average of 40,000 is close to two
4 million. And I know they spent a lot of money on that
5 sewer plant, too.

6 But I would really like to see them assure us
7 and let us know what the costs are, and what we can do or
8 what they can do in the future to keep those as -- as
9 understanding as we can.

10 Because like you said, \$80 is probably one of
11 the highest in the state. And where does it go, you know,
12 from here? Thank you.

13 MR. CARLSON: And again, that's all well and
14 good. But this company had a rate case in the year 2000,
15 rate case in the year 2002, and now. So it's not like,
16 you know, this has been going on for years and years and
17 nobody's been aware.

18 We've been aware. It's a sore point that
19 your rates are so high. We understand that. And we're
20 here because we want you to know that we care, and we want
21 to hear you.

22 But we are limited in how much we can do with
23 a system like this. That's why I mentioned the fact that
24 you really should consider forming a district to handle
25 this situation.

1 In the long run, we've said in the past two
2 rate cases before this one, that's the only viable
3 solution to your high rates, because the system is so
4 small.

5 MR. AMEZCUA: Thank you.

6 Anyone else that would like to make a comment
7 at this time?

8 Yes, sir.

9 MR. TORGERSON: Dale Torgerson. 35372
10 Pinnacle Place.

11 You -- you said we could form this here
12 committee and all of this. Is there any sense in doing
13 this unless we hear from the Albins, if there's something
14 that they're interested in having us doing?

15 Would it be out of place if we could ask the
16 Albins to speak and see what their idea was or what
17 their -- any comments that they have? Is that out of
18 place?

19 MR. CARLSON: They're welcome to speak.
20 However, just so you understand, I'm familiar with this
21 case. I've done the last two cases before this one.

22 And I know that they have been interested in
23 ending their association with this company and moving on
24 with their lives, because it has been a drain on them.

25 MR. TORGERSON: We're pretty bad people, huh?

1 MR. CARLSON: It's not that you're tough
2 people. You can imagine running any sewer system
3 anywhere. It's not a pleasant job, so -- and again, I
4 can't speak for them directly.

5 But I'm not too sure they want to speak
6 tonight. Only because like myself, you open yourself up
7 to a lot of questions. And we may not be able to answer
8 them. And there's a lot of things I can't answer.

9 But I will say knowing their situation from
10 the prior rate cases again, they have expressed interest
11 in not being in this business anymore.

12 MR. TORGERSON: Okay. Well, thank you for
13 your consideration.

14 MR. AMEZCUA: Thank you.

15 Lori Foleno?

16 MS. FOLENO: I'm fine. Thank you.

17 MR. AMEZCUA: Okay.

18 Yes, sir?

19 MR. JEDLICKI: Rudy Jedlicki. 18669 East
20 Agua Vista, Black Canyon City.

21 Now, when you say that it's such a small
22 treatment, is it the plant or the number of people that
23 are in it that makes it so expensive?

24 Could you explain that to us? Which part of
25 it is it? The plant's so small and expensive or not

1 enough participants?

2 MR. CARLSON: It's a rather unique plant.
3 And comparatively, it's expensive because it is a unique
4 plant.

5 There are very few systems where you can let
6 your runoff go into a -- into a river anymore. This one
7 can because of its uniqueness in the ability to clean the
8 effluent that it delivers.

9 And so, yes, it's expensive, comparatively.
10 And, yes, any plant that is expensive, the more people --
11 the more customers you have, the more you can spread that
12 cost.

13 Unfortunately, it was built for 49 customers.
14 For most of the last test year I can remember, it had 19
15 customers. This current one is going to have more
16 customers, obviously.

17 But from my previous experience, 19 customers
18 rather than 49 is a significant shortfall. But even 49
19 customers is still a very small population to spread that
20 cost over.

21 As far as the operational costs, we review
22 those. And the engineering and the operation systems is
23 an outside service. And we review that when we do the
24 test -- when we test all the other expenses.

25 MR. AMEZCUA: Thank you.

1 MR. SCOTT: Marlin Scott.

2 If I can add to that, the plant is 9,000
3 gallons per day. That's what is treated. And that plant
4 was built for the subdivision of 49 lots all at one time.
5 So that's how it's operating is, it was built at 9,000
6 gallons per day. But right now, it's operating above
7 2,000 at 2500 gallons per day.

8 So -- and since the effluent, what's treated,
9 is released into the Agua Fria River, there's some permits
10 that need to be met to release the water into the waters
11 of the United States. So that's -- so that takes a lot of
12 hours to maintain that system, to meet the permits.

13 So that's the reason -- and we're looking at
14 the expense on that. And that's the reason why I think
15 that the costs of that, of running that plant -- you know,
16 it's high right now.

17 MR. AMEZCUA: Thank you.

18 Is there anyone else who has not had an
19 opportunity to present their comments?

20 Well, at this time, I would like to thank
21 each of you for attending the meeting and for your
22 participation.

23 We will adjourn the meeting at this time.

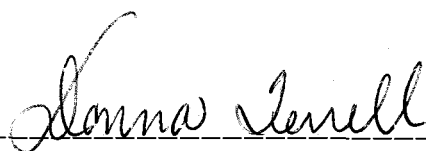
24 (The proceedings concluded at 7:20 p.m.)

25

1
2
3 STATE OF ARIZONA)
4) ss.
5 COUNTY OF MARICOPA)
6
7
8

9 I, DONNA FORD TERRELL, Certified Reporter
10 #50250 for the State of Arizona, do hereby certify that
11 the foregoing printed pages constitute a full, true and
12 accurate transcript of the proceedings had in the
13 foregoing matter, all done to the best of my skill and
14 ability.
15

16 WITNESS my hand this 6th day of February,
17 2006.
18
19
20
21

22 
23 DONNA FORD TERRELL
24 RPR, RDR, RMR, CRR
25 Certified Reporter #50250

SPEAKER SLIPS

ARIZONA CORPORATION COMMISSION
Information for Public Comment Meeting

PLEASE PRINT CLEARLY

Date 1/26/06 Telephone No. 602.374.5638
Name Leri Lelero
Street Address 18600 Laguna Vista
City BCC State AZ Zip 85324
☒ I WOULD like to speak. ☐ I do NOT want to speak.

Comments: _____

**** THREE MINUTE SPEAKING LIMIT ****

ARIZONA CORPORATION COMMISSION
Information for Public Comment Meeting

PLEASE PRINT CLEARLY

Date 1/26/06 Telephone No. _____
Name KEN FAUCHER PO Box 1309
Street Address 35315 S. PARNACE PLACE BCC
City BCK CAN/ State AZ Zip 85354
☒ I WOULD like to speak. ☒ I do NOT want to speak.

Comments: _____

**** THREE MINUTE SPEAKING LIMIT ****

ARIZONA CORPORATION COMMISSION

Information for Public Comment Meeting

PLEASE PRINT CLEARLY

Date 1-26-05 Telephone No. 623-374-2255

Name Jim Gray

Street Address 35210 S. Kings Way

City _____ State _____ Zip _____

☐ I WOULD like to speak.



I do NOT want to speak.

Comments: _____

**** THREE MINUTE SPEAKING LIMIT ****

ARIZONA CORPORATION COMMISSION

Information for Public Comment Meeting

PLEASE PRINT CLEARLY

Date 1-26-06 Telephone No. 623-374-5307

Name JOHANIE L. O'DANIEL

Street Address 18665 E. Agua Vista

City Black Canyon State AZ Zip 85324

☒ I WOULD like to speak.



I do NOT want to speak.

Comments: _____

**** THREE MINUTE SPEAKING LIMIT ****

ARIZONA CORPORATION COMMISSION

Information for Public Comment Meeting

PLEASE PRINT CLEARLY

Date 1/27/06 Telephone No. 623-374-0433

Name SAM TERRANOVA

Street Address 35343 River Ridge

City BCC State AZ Zip 85324

☒ I WOULD like to speak.

☐ I do NOT want to speak.

Comments: _____

**** THREE MINUTE SPEAKING LIMIT ****

ARIZONA CORPORATION COMMISSION

Information for Public Comment Meeting

PLEASE PRINT CLEARLY

Date 1/26/06 Telephone No. _____

Name MIKE ROBB

Street Address 35321 S PINNACLE PL (PO BOX 54)

City BCC State AZ Zip 85324

☒ I WOULD like to speak.

☐ I do NOT want to speak.

Comments: _____

**** THREE MINUTE SPEAKING LIMIT ****

ARIZONA CORPORATION COMMISSION

Information for Public Comment Meeting

PLEASE PRINT CLEARLY

Date 1-26-06 Telephone No. 623 374-0121
Name Hunt's H. GELKE
Street Address P.O. BX, 1139
City BLACK CANON CITY State AZ Zip 85324
☒ I WOULD like to speak. ☐ I do NOT want to speak.

Comments: _____

**** THREE MINUTE SPEAKING LIMIT ****

ARIZONA CORPORATION COMMISSION

Information for Public Comment Meeting

PLEASE PRINT CLEARLY

Date 1/26/06 Telephone No. 623-374-5235
Name DAVE & Dorothy Moore
Street Address 35367 S. River Ridge RD
City BCC State AZ Zip 85324
☒ I WOULD like to speak. ☐ I do NOT want to speak.
Maybe

Comments: _____

**** THREE MINUTE SPEAKING LIMIT ****

ARIZONA CORPORATION COMMISSION
Information for Public Comment Meeting

PLEASE PRINT CLEARLY

Date 1-26-06 Telephone No. 623-376-0686

Name Jerry Elmore / Barb Haines

Street Address 18660 E. Agua Vista

City Bl. Can. City State AZ Zip 85324

☐ I WOULD like to speak.

☒ I do NOT want to speak.

Comments: _____

**** THREE MINUTE SPEAKING LIMIT ****

ARIZONA CORPORATION COMMISSION
Information for Public Comment Meeting

PLEASE PRINT CLEARLY

Date 1-26-06 Telephone No. 623-374-5316

Name DALE L. TORGERSON

Street Address 35372 PINEHURST PL

City BLK. CANYON CITY State AZ Zip 85324

☒ I WOULD like to speak.

☐ I do NOT want to speak.

Comments: _____

**** THREE MINUTE SPEAKING LIMIT ****

ARIZONA CORPORATION COMMISSION
Information for Public Comment Meeting

PLEASE PRINT CLEARLY

Date 1-26-06 Telephone No. 623-374-5044

Name Rudy Tedlicki

Street Address 18669 E Agua Vista

City Black Canyon City State AZ Zip 85324

☐ I WOULD like to speak.

☒ I do NOT want to speak.

Comments: _____

**** THREE MINUTE SPEAKING LIMIT ****